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C O N F I D E N T I A L SECTION 01 OF 02 ASUNCION 000627

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STATE FOR WHA/BSC AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR SCRININ AND LYANG
NSC FOR KIM BREIER
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: DECL: 05/06/2015

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, APRIL 30 - MAY 6

REF: A. ASUNCION 00605

[1](#)B. ASUNCION 00594

[1](#)C. ASUNCION 00512

Classified By: PolOff Mark Stamilio, reason 1.4(d).

[1](#)1. (U) Summary

-- Senate re-appoints Justice Rienzi to Supreme Court
-- NDF on presidential re-election -- will he, or won't he?
-- Paraguay signs Open Skies agreement with Chile
-- IMF/IDB expert departs following death threat
-- ILO to conclude successful anti-exploitation project
-- Debernardi kidnappers sentenced to 18 years in prison
-- INL-funded drug dog nets 32 kilos of marijuana in CDE

Senate re-appoints Justice Rienzi to Supreme Court

[1](#)2. (C) On May 5, the Senate voted 24-20 to permit tarnished Colorado (ANR) party stalwart Wildo Rienzi to continue to serve as Supreme Court Justice until he reaches the mandatory retirement age of 75 in two years. The vote in Rienzi's favor was the result of deals struck by a make-shift alliance between the ANR and a handful of opposition Senators (ref A), including the two socialist Country in Solidarity (PPS) Senators, Carlos Filizzola and Nicolas Morinigo. Filizzola is vying for the presidency of the Senate. He and Morinigo voted for Rienzi's re-appointment over protests from within their own party.

[1](#)3. (C) Just prior to the vote, the Senate approved a resolution authorizing the payment of 600 million guaranies (approx. USD 102,000) to National Union of Ethical Citizens (UNACE) party Senator Alejandro Velazquez, reimbursing him for pay he did not receive after a vote orchestrated by ANR leader Juan Carlos Galaverna blocked him from taking his seat in the Senate during the previous congressional term. Velazquez then voted in favor of Rienzi's re-appointment. Ironically, it was Galaverna who orchestrated the Rienzi deal, as well. (Comment: Velazquez recently stepped down as UNACE party president. Although that move followed a period of in-fighting between Velazquez and UNACE Senator Enrique Gonzalez Quintana, it came as a surprise to most. Velazquez was the only UNACE Senator to vote in Rienzi's favor. End Comment.)

[1](#)4. (U) The Council of Magistrates, which earlier ruled that Rienzi must compete for re-appointment (ref C) and has already begun the competitive selection process, announced that it will convene a plenary session to decide what institutional action it will take to counter the May 5 Senate vote.

NDF on presidential re-election -- will he, or won't he?

[1](#)5. (SBU) In a somewhat equivocal fourth shift of position on the issue, this week President Duarte told a crowd of ANR supporters that he would abandon his quest for re-election in 2008 "if that were deemed best for the country." However, he asserted that he was still young, and that eventually he would return to the Presidency "if that's what the people want." Duarte has publicly gone back and forth on this issue over the last several months. Presidential re-election would require Constitutional reform, which the opposition has said it would back only if the ANR agreed to provisions that would allow Paraguayans residing abroad to vote in national elections, further decentralize government, and change the process for selecting judges and prosecutors. The ANR initially balked at the opposition's demands, but this week Duarte signaled that he might be willing to meet them.

Paraguay signs Open Skies agreement with Chile

[1](#)6. (SBU) Close on the heels of the Open Skies agreement Paraguay signed with the U.S. on May 2 (ref B), Paraguay

signed a similar agreement with Chile on May 4. Agreements with Uruguay and Panama are also in the works. (Comment: These agreements are a welcome sign that Paraguay is shifting to a more open economy, less exclusively focused on its traditional Mercosur trading partners and more willing to reach out to others. End Comment.)
IMF/IDB expert departs following death threats

17. (U) Ives Soler, a French customs expert working on a Paraguayan Customs reform project sponsored by the IMF and IDB reportedly received a death threat on April 27. Soler subsequently returned to France, as a precautionary measure, until appropriate personal security measures can be put in place for him. Finance Minister Dionisio Borda opined that the threat came from someone with "powerful interests" affected by the intended reforms, and requested U.S. help in investigating the incident.

ILO to conclude successful anti-exploitation project

18. (U) The International Labor Organization (ILO) announced this week that it will close its office in Ciudad del Este (CDE) in August. Since 2001, the ILO's CDE office has conducted a successful campaign to combat child sexual and commercial exploitation in the tri-border area. It has performed research, established local support networks, raised awareness, and instilled sensitivity to the plight of exploited children among police, prosecutors, judges, teachers, and opinion leaders. Its research identified gaps and inconsistencies in the laws of the three countries that straddle the tri-border, Paraguay, Brazil and Argentina. (Note: On May 13, PolOff will attend a seminar the ILO is conducting in CDE, with U.S. DOL assistance, to present several proposals intended to facilitate continued tri-lateral cooperation in this area. End Note.)

Debernardi kidnappers sentenced to 18 years in prison

19. (U) At the conclusion of a one-month public trial, three defendants in the case of the 2001 kidnapping of Maria Edith Bordon de Debernardi were convicted and sentenced to 18 years in prison. Carmen Villalba, Alcides Oviedo and Aldo Meza are members of the same leftist party, Patria Libre (PPL), believed to be responsible for the more recent kidnapping and murder of former President Raul Cubas' daughter, Cecilia Cubas. Four other suspects in the Debernardi case remain at large, including Juan Arrom and Anuncio Marti, PPL leaders who were granted refugee status in Brazil after they were allegedly tortured by police in Paraguay.

INL-funded drug dog nets 32 kilos of marijuana in CDE

10. (U) On April 28, an INL-funded Anti-Narcotics Secretariat (SENAD) canine unit detected 32 kilograms of marijuana during a routine check of a Sao Paulo-bound bus near the Friendship Bridge connecting Ciudad del Este to Foz do Iguacu, Brazil. The bus originated from Asuncion. Kilo, one of SENAD's drug dogs, discovered the marijuana in two backpacks and one large bag belonging to two young men from Caaguazu, Paraguay. SENAD agents arrested the individuals and placed them in a local jail until their trial date is set.

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